

**CALIFORNIA-PACIFIC ANNUAL  
CONFERENCE  
OF THE UNITED METHODIST CHURCH**

**Financial Statements and  
Supplementary Information  
with Independent Auditor's Report**

**For the Year Ended December 31, 2010**



**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH**  
**Financial Statements with Independent Auditor's Report**  
**For the Year Ended December 31, 2010**

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The Council on Finance and Administration  
California-Pacific Annual Conference  
of the United Methodist Church

### **Independent Auditor's Report**

We have audited the accompanying statement of financial position of the California-Pacific Annual Conference of the United Methodist Church (the Conference) (a nonprofit organization) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Conference's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conference's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Conference as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules listed as supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Conference. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Macias Jini & O'Connell LLP*

Newport Beach, California

September 26, 2011

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**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH  
Statement of Financial Position  
December 31, 2010**

**Assets:**

Current assets:

Cash and cash equivalents	\$ 3,647,666
Receivables, net (note 4)	2,882,808
Investments (note 2)	<u>12,596,123</u>
Total current assets	<u>19,126,597</u>

Noncurrent assets:

Receivables, net (note 4)	19,982,304
Investments (note 2)	400,000
Property held for development	350,000
Property and equipment, net (note 5)	<u>2,682,695</u>
Total noncurrent assets	<u>23,414,999</u>
Total assets	<u><u>\$ 42,541,596</u></u>

**Liabilities:**

Current liabilities:

Accounts and distributions payable	\$ 1,633,075
Notes payable, due in one year (note 7)	67,572
Other liabilities	232,396
Unfunded postretirement benefit, due in one year (note 9)	<u>1,315,000</u>
Total current liabilities	<u>3,248,043</u>

Noncurrent liabilities:

Accounts payable	163,515
Deposits	190,312
Notes payable, due in more than one year (note 7)	384,726
Unfunded postretirement benefit, due in more than one year (note 9)	<u>63,918,000</u>
Total noncurrent liabilities	<u>64,656,553</u>
Total liabilities	<u>67,904,596</u>

**Net Assets (deficit):**

Unrestricted	(55,651,697)
Temporarily restricted	27,332,679
Permanently restricted	<u>2,956,018</u>
Total net assets (deficit)	<u>(25,363,000)</u>
Total liabilities and net assets	<u><u>\$ 42,541,596</u></u>

See Accompanying Notes to Financial Statements.

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH**  
Statement of Activities  
Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues</b>				
Support, revenues and other income:				
Conference apportionment income:				
World Service and Conference benevolences	\$ 3,765,206	\$ -	\$ -	\$ 3,765,206
Ministerial support	3,859,196	1,249,801	-	5,108,997
Administration	1,763,288	-	-	1,763,288
Other special benevolences	604,843	-	-	604,843
Conference-designated and other advance special contributions:				
Quota, special day and advance income	1,537,496	-	-	1,537,496
Special income and distributions, net	2,116,917	-	-	2,116,917
General Council on Finance and Administration	89,741	-	-	89,741
Other income:				
Health/liability insurance premium income	9,471,726	-	-	9,471,726
Camp operations	3,648,565	-	-	3,648,565
Interest and dividends	583,451	835,300	-	1,418,751
Increase in value of remainder trusts	-	1,109,711	-	1,109,711
Income from investments held by the Foundation	-	116,772	-	116,772
Change in fair value of investments held by the Foundation	-	386,349	-	386,349
Other	197,114	145,806	-	342,920
Total support, revenues and other income	<u>27,637,543</u>	<u>3,843,739</u>	<u>-</u>	<u>31,481,282</u>
Net assets released from temporary restriction	<u>840,871</u>	<u>(840,871)</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>				
Distribution to the General Council on Finance and Administration	3,500,623	-	-	3,500,623
Other distributions	283,827	-	-	283,827
Other expenses:				
Other designated distributions	678,855	-	-	678,855
Distributions to the General Board of Pensions (note 8)	4,679,813	-	-	4,679,813
Health/liability insurance premium expense	9,401,493	-	-	9,401,493
Group hospital and other pension-related distributions and expenses	256,645	-	-	256,645
Camp operations	3,585,654	-	-	3,585,654
General and administrative	5,711,888	-	-	5,711,888
Depreciation	300,025	-	-	300,025
Grant expense	108,000	-	-	108,000
Net periodic postretirement healthcare benefit cost	7,991,000	-	-	7,991,000
Other	200,905	-	-	200,905
Total expenses	<u>36,698,728</u>	<u>-</u>	<u>-</u>	<u>36,698,728</u>
Increase (decrease) in operating items	<u>(8,220,314)</u>	<u>3,002,868</u>	<u>-</u>	<u>(5,217,446)</u>
Nonoperating items:				
Postretirement healthcare benefit related changes other than net periodic postretirement benefit cost	<u>1,129,000</u>	<u>-</u>	<u>-</u>	<u>1,129,000</u>
Increase in nonoperating item	<u>1,129,000</u>	<u>-</u>	<u>-</u>	<u>1,129,000</u>
Increase (decrease) in net assets	<u>(7,091,314)</u>	<u>3,002,868</u>	<u>-</u>	<u>(4,088,446)</u>
Net assets (deficit), beginning	<u>(48,560,383)</u>	<u>24,329,811</u>	<u>2,956,018</u>	<u>(21,274,554)</u>
Net assets (deficit), ending	<u>\$ (55,651,697)</u>	<u>\$ 27,332,679</u>	<u>\$ 2,956,018</u>	<u>\$ (25,363,000)</u>

See Accompanying Notes to Financial Statements.

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH  
Statement of Cash Flows  
Year Ended December 31, 2010**

**Cash flows from operating activities:**

Decrease in net assets	\$ (4,088,446)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Changes in fair value of investments	(386,349)
Depreciation	300,025
(Increase) decrease:	
Receivables, net	(1,514,813)
Due from related parties	(843,791)
Increase (decrease):	
Accounts and distributions payable	119,535
Other liabilities	(166,098)
Unfunded postretirement benefit	6,862,000
Total adjustments	4,370,509
Net cash provided by operating activities	282,063

**Cash flows from investing activities:**

Purchase of investments	(2,002,145)
Purchase of property and equipment	(176,589)
Net cash used for investing activities	(2,178,734)

**Cash flows from financing activities:**

Payments on notes payable	(62,105)
Net cash used for financing activities	(62,105)
Decrease in cash and cash equivalents	(1,958,776)
Cash and cash equivalents, beginning	5,606,442
Cash and cash equivalents, ending	\$ 3,647,666

See Accompanying Notes to Financial Statements.

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH**  
Notes to Financial Statements  
December 31, 2010

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation/Accounting

The financial statements of the California-Pacific Annual Conference of The United Methodist Church (Conference) include the accounts of funds that provide programs and support services to, and on behalf of, the member churches of the Conference. These programs and supporting services are considered Conference activities by the “Book of Discipline.” The financial statements have been prepared on the accrual basis, under which revenues are recognized when they are earned and expenses are recognized when the related liability is incurred.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-45 (Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*). Under this guidance, the Conference is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations. As of December 31, 2010, the Conference had unrestricted net assets of the following:

Operating Funds	\$ (58,557,126)
Fixed Assets Funds	<u>2,905,429</u>
Total	<u><u>\$ (55,651,697)</u></u>

*Temporarily restricted net assets* – Net assets subject to donor stipulations that may or will be met either by actions of the Conference and/or the passage of time. As of December 31, 2010, the Conference had temporarily restricted net assets of the following:

Operating Funds:	
Loans	\$ 14,178,308
Primarily time restriction	11,343,153
Endowment Funds:	
Pension benefits	<u>1,811,218</u>
Total	<u><u>\$ 27,332,679</u></u>

*Permanently restricted net assets* – Net assets to be held in perpetuity as directed by donors. The income from the contributions is available to support activities of the Conference as designated by the donors. As of December 31, 2010, the Conference had permanently restricted net assets of \$2,956,018 representing endowment funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

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**Notes to Financial Statements (Continued)**  
**December 31, 2010**

Cash and Cash Equivalents

The Conference maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Conference has not experienced any losses in such accounts. The Conference believes it is not exposed to any significant credit risk on cash. At December 31, 2010, the Conference had \$3,397,666 in deposits in excess of federally insured limits of \$250,000.

For purposes of the statement of cash flows, the Conference considers cash and all highly liquid investments with original maturities of three months or less from when purchased as cash and cash equivalents. This includes the money market fund which is also considered a cash equivalent.

Investments

Investments are stated at fair value (the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date). Investments are measured in accordance with FASB ASC 820-10 (SFAS 157, *Fair Value Measurements*) as disclosed in Note 2.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to forty years.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Income Taxes

The Conference is a California nonprofit, tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and the corresponding provisions of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is required.

Effective January 1, 2009, the Conference adopted the authoritative guidance for uncertainty in income taxes included in FASB ASC 740-10 Income Taxes (FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*), as amended by Accounting Standards Update (ASU) 2009-06, *Implementation Guidance on Accounting for Uncertainty in Taxes and Disclosures Amendments for Nonpublic Entities*. The adoption of ASC 740 (FIN 48) did not have an impact on the Conference's financial statements.

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Notes to Financial Statements (Continued)  
December 31, 2010**

Postretirement Health Care Benefits

The funded status of the Conference's postretirement benefit plans is measured as the difference between the fair value of plan assets and the accumulated postretirement benefit obligation. The overfunded or underfunded status of the plans is fully recognized as an asset or liability in the statement of financial position. Changes in the funded status of the plans are recognized in the year they occur as changes in unrestricted net assets. See also Note 9 to the financial statements.

**(2) INVESTMENTS**

The Conference's investments as of December 31, 2010 were held with the California Pacific United Methodist Foundation (Foundation). The Foundation provides the Conference organizations and local churches with a variety of investment instruments, and allocates investments based on the following:

- Fixed Income - 30%
- Large Cap Growth - 30%
- Large Cap Value - 20%
- International Value - 20%

The investments held with the Foundation are valued at fair market value as of December 31, 2010, as discussed in Note 3 below.

As of December 31, 2010, the Conference had flexible demand and four-year term investments of \$800,000 at 1.50% interest rate and \$400,000 at 3.50% interest rate, respectively, with the United Methodist Development Fund (UMDF). The UMDF is an incorporated, nonprofit organization related to the National Division of the Board of Global Ministries of The United Methodist Church. Although these term investments are normally repaid upon demand, the UMDF has the option of requiring six months prior written notice and may repay the term investments over a five-year period. The UMDF may redeem the investments at a 1.50% premium by giving six months prior written notice.

Total investments held at December 31, 2010, consist of the following:

	Carrying Amount
Investments:	
Investments held by the Foundation	\$ 11,796,123
Term investments	1,200,000
Total investments	\$ 12,996,123

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Notes to Financial Statements (Continued)  
December 31, 2010**

**(3) FAIR VALUE MEASUREMENTS**

The Conference measures fair value in accordance with Statement of Financial Accounting Standards No. 157, “*Fair Value Measurement*”, (FAS 157) which was subsequently included in the FASB Codification as ASC 820. ASC 820 which applies to all financial instruments that are being measured and reported on a fair value basis.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

*Level 1:* Inputs to the valuation methodology represents unadjusted quoted prices for identical assets or liabilities in active markets that the Conference has the ability to access.

*Level 2:* Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is the description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position. There have been no changes in the methodologies used at December 31, 2010.

The fair value of available-for-sale securities is the market value based on quoted market prices, when available, or market prices by recognized broker dealers.

The fair value of term investments is cost plus accrued interest, if any, which are directly observable inputs for term investments.

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Notes to Financial Statements (Continued)  
December 31, 2010**

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Conference believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Conference's assets at fair value as of December 31, 2010:

Investments at Fair Value as of December 31, 2010

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Available-for-sale securities	\$ 11,796,123	\$ -	\$ -	\$ 11,796,123
Term investments	-	1,200,000	-	1,200,000
Total investments	<u>\$ 11,796,123</u>	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ 12,996,123</u>

**(4) RECEIVABLES**

The receivables held as of December 31, 2010 is composed of the following:

Notes due from member churches	\$ 8,060,420
Due from related parties	3,056,263
Conference apportionment, quota and special revenues receivable	1,144,503
Interest receivable	26,737
Contribution from remainder trusts	9,389,512
Other receivables	<u>1,187,677</u>
Total Receivables, net	<u>\$ 22,865,112</u>

Notes due from Member Churches

The notes due from member churches are generally collateralized by trust deeds on real property and bear interest at rates ranging from 2% to 7%. At December 31, 2010, the allowance for uncollectible notes is \$121,629.

Contribution from Remainder Trusts

The Conference is a beneficiary of certain estates. The corpus of the estates will not be received until certain time restrictions have been met. A receivable has been recorded for the Conference's proportionate share of the fair value of the corpus as of December 31, 2010.

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Notes to Financial Statements (Continued)  
December 31, 2010**

**(5) PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2010, consist of the following:

Land		\$	1,151,262
Buildings			8,284,717
Furniture and fixtures			1,383,245
			10,819,224
Less accumulated depreciation			(8,136,529)
			\$ 2,682,695
Total			

**(6) RELATED PARTY TRANSACTIONS**

At December 31, 2010, related party receivables consist primarily of amounts due from the General Level Agencies of the United Methodist Church and the Foundation.

Related party transactions with the General Level Agencies of The United Methodist Church consist of apportionment distributions and maintenance of various deposit accounts administered by the General Board of Pensions.

Due from related parties at December 31, 2010, consists of the following:

		<u>Operating Fund</u>	
		<u>Pension Funds</u>	
General Board of Pensions		\$	3,056,263
			3,056,263

During 2010, the Conference had deposited with the Foundation, funds in an investment pool maintained by outside investment advisers, under the investment guidelines of the Foundation. The Conference has \$11,796,123 deposited with the Foundation for the pooling of investments at December 31, 2010.

Endowment Funds held by the Foundation:

Certain original endowment contributions are considered permanently restricted assets based on the terms the endowments directed by the donors. Investment income earned and changes in fair value of the invested contributions are considered temporarily restricted assets and can be used as directed by the endowment donors.

Conference Endowment Fund - Contributions received are not distributed. Net revenues derived from dividends and interest earned on investments are paid to the Board of Pensions and eventually distributed to those qualified to receive pension distributions. The original endowment contribution of the fund was \$2,815,058 and is reported as permanently restricted net assets. The market value of the fund at December 31, 2010, was \$4,329,662.

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Hough Endowment Fund - Contributions received from the donor are designated as not being available for distribution. The net income earned on investments is used by the Board of Pensions, to aid and assist in necessitous cases, the retired ministers and widows and children of deceased ministers of the Conference. The original endowment contribution of the fund was \$85,201 and is reported as permanently restricted net assets. The market value of the fund at December 31, 2010, was \$371,463.

Mrs. D. A. Crowell Memorial Fund - Contributions received from the donor are designated as not being available for distribution. The net revenues earned on investments are used to aid and assist in necessitous cases, the widows of deceased ministers of the Conference. The original endowment contribution of the fund was \$55,759 and is reported as permanently restricted net assets. The market value of the fund at December 31, 2010, was \$66,111.

**(7) NOTES PAYABLE**

A note is payable to the bank with variable interest rates and variable monthly principal and interest payments. Interest on unpaid principal shall accrue at a rate equal to the LIBOR rate plus 2.10% per year. The LIBOR rate at December 31, 2010, was 0.7839%. Principal payments totaled \$62,105 and interest payments totaled \$11,655 for the year ended December 31, 2010. The remaining principal and interest due are secured by the building.

The annual requirements to amortize the note payable outstanding for each of the next five years and in aggregate:

Year Ending December 31	Amount
2011	\$ 67,572
2012	73,427
2013	79,983
2014	87,023
2015	94,683
2016	49,610
Total Principal	\$ 452,298

**(8) PENSION PLANS**

At December 31, 2010, there are two pension plans in existence for the ministers of the Conference.

The 2004 General Conference of the United Methodist Church adopted the Clergy Retirement Security Program (CRSP), effective January 1, 2007. The CRSP is administered by the General Board of Pension and Health Benefits of the United Methodist Church (General Board). The CRSP consists of multi-employer defined benefit and multi-employer defined contribution plans.

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Notes to Financial Statements (Continued)  
December 31, 2010**

Since January 1, 1982, ministers of the Conference had been covered by the Ministerial Pension Plan (MPP), which was administered by the General Board. This plan, a multi-employer defined contribution plan, was adopted by the 1980 General Conference of The United Methodist Church and replaced the Ministers' Reserve Pension Fund (MRPF), a multi-employer defined benefit plan. On January 1, 2007 participants of the MPP were rolled into the CRSP.

In connection with the MRPF, pension expense represents payment for prior service as determined by the consulting actuaries of the Board based on an actuarial valuation as of December 31, 2010. Pension expense for the year ended December 31, 2010, was \$0. Information from the General Board is not presently available to disclose the Conference's share of accumulated plan benefits, net assets available, or the unfunded liability at December 31, 2010.

Under the defined benefit plan of the CRSP, clergy receive benefits based on a formula which is calculated based on the Denominational Average Compensation (DAC) and years of credited service. The retiree's monthly benefit increases annually by 2% per year, after benefits start. The Conference's actuarial determined contribution for the year ended December 31, 2010 was \$2,930,667. Information for the General Board is not presently available to disclose the Conference's share of accumulated plan benefits, net assets available, or the unfunded liability at December 31, 2010.

Under the defined contribution plan of the CRSP, the Conference remits 3% of each minister's salary directly to the General Board. These remittances are placed in the respective minister's pension account. The Conference submits 3% of the same contribution base via Comprehensive Protection Plan (CPP). These funds are placed in a pooled account to provide CPP plus a pension buildup for ministers who are below the denominational average compensation. In 2010, the Conference contributed \$1,471,244 to the above pension plans.

All lay employees of the Conference can join the United Methodist Personal Investment Plan (UMPIP) of the General Board, a defined contribution plan. The Conference's contribution requirement under this plan is 7% of the applicable employees' compensation. In 2010, the Conference contributed \$277,902 to this pension plan.

The Conference Board of Pensions also administers a group health insurance plan available to member clergy and Conference employees and their families. As reflected in the accompanying financial statements, the Conference Board of Pensions receives premium payments from these parties and then submits payment to the applicable insurance agency. The Conference also administers a general liability insurance plan for member churches through the Conference Board of Trustees.

**(9) POSTRETIREMENT HEALTHCARE BENEFITS**

The Conference provides postretirement benefits in the form of healthcare benefits to all clergy retirees, surviving clergy spouses, and retired lay employees, in accordance with Conference policy. The plan provides health benefits to employees who make the required election upon retirement. Employees must have earned at least 10 years of service with the Conference during the last 15 years prior to their retirement and are eligible to retire upon the attainment of age 62 or

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Notes to Financial Statements (Continued)  
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35 years of service. The Conference contributes the cost of monthly health insurance coverage. Contributions for 2010 were \$1,514,241.

The following table presents the plan's funded status. At December 31, 2010, there were no plan assets invested for postretirement healthcare benefits.

Accumulated postretirement benefit obligation	\$ (65,233,000)
Plan assets at fair value	-
Funded Status	<u>\$ (65,233,000)</u>

During the year ended December 31, 2010, the Conference recognized a net change in the unfunded postretirement benefit of \$6,862,000. This change is reported as components of both operating expense (\$7,991,000 as net periodic postretirement healthcare benefit cost) and nonoperating revenue (\$1,129,000 as a net periodic postretirement benefit credit based on actuarial gains).

The following projected postretirement benefits are expected to be paid in future years:

<u>December 31</u>	<u>Benefits</u>
2011	\$ 1,315,000
2012	1,465,000
2013	1,631,000
2014	1,794,000
2015	2,012,000
2016-2020	13,554,000

The following weighted average assumptions were used in accounting for the plan as of December 31:

Weighted-average assumptions used to determine benefit obligations at December 31:	
Discount rate	4.0%
First year health care trend rate	10.0%
Weighted-average assumptions used to determine net periodic benefit cost for year ended December 31:	
Discount rate	4.0%
Expected return on plan assets	4.0%
Ultimate health care trend rate	5.0%

Current retirees were assumed to receive a health insurance subsidy equal to their actual scheduled subsidy for 2010 based on their status, length of service, and coverage election. Upon

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Notes to Financial Statements (Continued)  
December 31, 2010**

attainment of age 65, the premium for those disabled retirees who are receiving fully-subsidized health insurance is assumed to decrease to \$4,418 during 2011. 60% of future covered retirees were assumed to receive a health insurance subsidy during 2011 equal to the applicable portion of an annual premium of \$2,325 for each of the retiree and his spouse. 40% of future covered retirees were assumed to receive a health insurance subsidy during 2011 equal to the applicable portion of an annual premium of \$4,600 for each of the retiree and his spouse. For future covered retirees, the employee portion of the premium is based on an assumed blended premium rate of \$3,200 during 2011. Future disabled retirees were assumed to receive a health insurance subsidy during 2011 to \$7,050 for the retiree and \$7,600 for the retiree's spouse. All subsidies were increased by the health care cost trend rates for years after 2010. The health care cost trend rates were as follows:

<u>Year</u>	<u>Increase</u>	<u>Year</u>	<u>Increase</u>	<u>Year</u>	<u>Increase</u>
2011	10.0%	2015	8.0%	2019	6.0%
2012	9.5%	2016	7.5%	2020	5.5%
2013	9.0%	2017	7.0%	2021	
2014	8.5%	2018	6.5%	& later	5.0%

**(10) LINE OF CREDIT**

The Conference has an agreement with a bank for a line of credit with a maximum of \$1,000,000 and an interest rate of one-half percent over the bank's reference rate. As of December 31, 2010, the line of credit is unused and expired on December 31, 2010. Management is renegotiating the renewal of the line of credit but have not received approval as of September 16, 2011.

**(11) CONTINGENCIES**

The Conference is subject to various legal proceedings and claims which involve private parties. In the opinion of the Conference management and its counsel it is improbable that the outcome of such litigation will be materially adverse to the Conference.

**(12) SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events from December 31, 2010, through September 26, 2011 (the issuance date) and has noted no events that would have a significant impact on the financial statements.

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**SUPPLEMENTARY INFORMATION**

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH  
Net Assets Analysis  
Year Ended December 31, 2010**

<u>Fund No.</u>	<u>Fund Name</u>	<u>Dec. 31, 2009 Net Assets (Deficit)</u>	<u>Net Change</u>	<u>Dec. 31, 2010 Net Assets (Deficit)</u>
<b>Unrestricted Net Assets:</b>				
<u>Operating Funds</u>				
10	Apportioned and Other Funds	\$ -	\$ -	\$ -
16	Contingency Fund	1,449,391	18,146	1,467,537
17	Council on Finance and Administration	(101,989)	1,136	(100,853)
18	Administrative Services	44,110	(109,883)	(65,773)
19	Designated Funds	1,247,081	516,985	1,764,066
20	Connectional Ministries	703,499	99,144	802,643
21	Pacific Islanders Commission	57,779	(76,698)	(18,919)
22	Jubilee Fund	4,859,788	57,687	4,917,475
24	EMLC Crisis Fund	17,075	(7,558)	9,517
25	Cooperative Advertising Fund	24,520	440	24,960
26	Pacific Islanders/Samoan Fund	34,197	(8,500)	25,697
27	Native American Awareness Fund	44,632	5,101	49,733
28	New Ministries	-	213,035	213,035
30	Golden Cross Fund	10,156	2,015	12,171
32	Commission on Religion and Race	28,305	867	29,172
33	Commission on Status and Role of Women	20,302	(3,464)	16,838
34	Commission on Church Extension in Mexico	29,051	2,319	31,370
39	Center for Leadership Excellence	-	-	-

(Continued)

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH  
Net Assets Analysis (Continued)  
Year Ended December 31, 2010**

<b>Fund No.</b>	<b>Fund Name</b>	<b>Dec. 31, 2009 Net Assets (Deficit)</b>	<b>Net Change</b>	<b>Dec. 31, 2010 Net Assets (Deficit)</b>
<b>Operating Funds</b>				
41	Board of Pensions- Health Insurance Fund	(511,333)	(74,613)	(585,946)
44	Clergy Salary Support Fund	0	(151,497)	(151,497)
46	Moving Expense Fund	22,156	23,413	45,569
48	Vital Presence Ministries	-	26,229	26,229
50	District Superintendents' Fund	(236,391)	734,031	497,640
54	Board of Trustees	(134,465)	(123,287)	(257,752)
56	Episcopal Residence Fund	4,712	(4,667)	45
57	Sustentation Fund	50,570	9,358	59,928
61	Pension and Other Benefits	(57,439,567)	(7,942,647)	(65,382,214)
71	Bishop's Special Fund	22,386	(1,162)	21,224
72	Area Headquarters and Fund Development	(234,968)	57,479	(177,489)
76	Board of Ordained Ministry	169,031	23,609	192,640
78	Annual Conference Sessions Fund	(24,394)	51,093	26,699
79	Conference Secretary and Journal Fund	33,322	2,664	35,986
82	Strategic Initiatives	566,872	(181,555)	385,317
<b>Camp Funds</b>				
84	Camp Operations	(3,420,874)	(225,900)	(3,646,774)
85	Camp Designated Fund	79,478	250,171	329,649
86	Camp Designated Fund	49,519	38,641	88,160
<b>Los Angeles Episcopal Fund</b>				
73	Los Angeles Episcopal Area (GCFA)	-	-	-

(Continued)

**CALIFORNIA-PACIFIC ANNUAL CONFERENCE  
OF THE UNITED METHODIST CHURCH  
Net Assets Analysis (Continued)  
Year Ended December 31, 2010**

<u>Fund No.</u>	<u>Fund Name</u>	<u>Dec. 31, 2009 Net Assets (Deficit)</u>	<u>Net Change</u>	<u>Dec. 31, 2010 Net Assets (Deficit)</u>
<u>Certain Other Funds</u>				
53	Trustee Insurance Fund	\$ 773,353	\$ (16,562)	\$ 756,791
55	Board of Trustees Campus Ministries Properties	-	-	-
	Total Unrestricted Operating Funds	<u>(51,762,696)</u>	<u>(6,794,430)</u>	<u>(58,557,126)</u>
<u>Fixed Assets Funds</u>				
88	Fixed Assets	3,202,313	(296,884)	2,905,429
	Total Unrestricted Net Assets	<u>\$ (48,560,383)</u>	<u>\$ (7,091,314)</u>	<u>\$ (55,651,697)</u>
<b>Temporarily restricted net assets for loans:</b>				
<u>Loan Fund</u>				
45	Congregational Loan Fund	\$ 13,851,637	\$ 326,671	\$ 14,178,308
<b>Temporarily restricted net assets (primarily time restriction):</b>				
<u>Pension Funds</u>				
40	Board of Pensions	414,756	1,538,884	1,953,640
40	Remainder Trusts	8,689,647	699,866	9,389,513
40	Endowment Funds	1,373,771	437,447	1,811,218
	Total Temporarily Restricted Net Assets (primarily time restriction)	<u>10,478,174</u>	<u>2,676,197</u>	<u>13,154,371</u>
	Total Temporarily Restricted Net Assets	<u>\$ 24,329,811</u>	<u>\$ 3,002,868</u>	<u>\$ 27,332,679</u>
<b>Permanently restricted net assets:</b>				
<u>Endowment Funds</u>				
40	Endowment Funds	<u>\$ 2,956,018</u>	<u>\$ -</u>	<u>\$ 2,956,018</u>

**THE LOS ANGELES EPISCOPAL AREA-  
UNITED METHODIST CHURCH  
(A Fund of the California-Pacific Annual  
Conference of the United Methodist Church)  
Statement of Financial Position  
December 31, 2010**

**Assets:**

## Assets:

Due from General Council on  
Finance and Administration

\$ -  
          

**Liabilities and net assets:**

## Liabilities:

Due to Conference

\$ -

Net assets, unrestricted

            
-

Total liabilities and net assets

\$ -

**THE LOS ANGELES EPISCOPAL AREA-  
UNITED METHODIST CHURCH**  
**(A Fund of the California-Pacific Annual  
Conference of the United Methodist Church)**  
**Statement of Activities**  
**Year Ended December 31, 2010**

Revenues:	
General Council on Finance and Administration	\$ 89,741
Other	2,544
	<hr/>
Total revenues	92,285
	<hr/>
Expenses:	
Salary	111,509
Benefits	49,543
Payroll taxes	6,745
Office rent	19,200
Staff travel	2,207
Professional entertainment	2,343
Postage	462
Office supplies	2,956
Equipment rental and maintenance	1,860
Miscellaneous	34,607
	<hr/>
Total expenses	231,432
	<hr/>
Revenues under expenses	(139,147)
California-Pacific Annual Conference support	139,147
Net assets, unrestricted, beginning of year	-
	<hr/>
Net assets, unrestricted, end of year	\$ -
	<hr/> <hr/>

**THE LOS ANGELES EPISCOPAL AREA-  
UNITED METHODIST CHURCH  
(A Fund of the California-Pacific Annual  
Conference of the United Methodist Church)  
Statement of Cash Flows  
Year Ended December 31, 2010**

Cash flows from operating activities:	
Revenues under expenses	<u>\$ (139,147)</u>
Net cash used for operating activities	(139,147)
Cash flows from financing activities:	
California-Pacific Annual Conference support	139,147
Cash at beginning of year	<u>-</u>
Cash at end of year	<u><u>\$ -</u></u>

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